NORTHERN ILLINOIS GAS COMPANY
D/B/A NICOR GAS COMPANY
DIRECT TESTIMONY ON REHEARING OF
ALBERT E. HARMS
ILLINOIS COMMERCE COMMISSION
DOCKET NOS. 00-0620 and 00-0621 CONSOLIDATED

OFFICIAL FILE
I.C.C. DOCKET NO. 00-0620/0621
Nicor Rehearing Exhibit No. 1
Witness
Date 10/30/01 Reporter

Q. Please state your name and business address.

A. Albert E. Harms, 1844 Ferry Road, Naperville, Illinois 60563-9600.

Q. Are you the same Albert E. Harms that previously testified in this case?

A. Yes.

Q. What is the purpose of your direct testimony on rehearing?

A. The purpose of my direct testimony on rehearing is to address three issues as to which the Commission granted rehearing in this case. First, I will present testimony addressing how gas storage inventory carrying cost savings should be calculated if they are to be used to offset *Customer Select* incremental costs, as provided for in the Commission's Order. Second, I will set forth and discuss the cost of service data supporting the Company's charge of $0.50 to include Suppliers' charges on the Company's bills. Finally, I will discuss the timetable for implementing the changes to *Customer Select* mandated by the Commission's Order, particularly with respect to the requirement to allow Suppliers to bill Company charges on their bills.

I. Summary

Q. Please summarize the Company's position with respect to each of the three issues.

A. The Company continues to believes that its original proposal to continue the current $200 Group Charge, $1.00 Account Charge and $10 Group Additions Charge is justified by incremental cost data and for all the reasons expressed in its earlier testimony. However, since the Commission has accepted the concept that potential gas storage inventory carrying cost savings may be used to offset incremental costs generated by *Customer Select*, I will propose and explain several adjustments to Mr. Mierzwa's calculations that would make them more reasonable. The result of these adjustments, which I will describe later in my testimony, is to reduce the maximum potential savings from Mr. Mierzwa's $1.74 per month per account to $0.20 per month per account. Because a number of factors make it highly unlikely that the maximum potential savings would be realized, the Company recommends using a gas storage inventory carrying cost offset of one-half the maximum amount, or $0.10 per account per month. If the Commission accepts the Company's calculation of gas storage inventory carrying cost savings, the Company proposes and has justified a $200 Group Charge, a $0.93 Account Charge and a $10 Group Additions Charge.

With respect to the $0.50 charge for optional billing services provided to Suppliers, the Company continues to believe that the service is a non-utility service and, therefore, does not have to be a tariffed service. However, to comply with the Commission's Order, the Company proposes to include a section in its Terms and Conditions offering the service to Suppliers. The $0.50 per bill charge is supported by cost data, as discussed later in my testimony.

Finally, Nicor Gas believes that all provisions of *Customer Select* should become effective March 1, 2002. Although the Company has contended that agency billing should not become effective until September 1, 2002 because it could not be fully automated until that date, Nicor Gas is willing to use manual procedures in order to implement agency billing effective March 1, 2002.

II. Gas Storage Inventory Carrying Costs.

Q. What is the Company's position with respect to gas storage inventory carrying cost savings?

A. The Company continues to believe that any gas storage inventory carrying cost savings are highly uncertain and that they should be reflected, if they occur, in the Company's rates at the time of its next general rate case, based upon actual experience. However, since the Commission's Order in this case accepts the concept that potential gas storage inventory carrying cost savings should be offset against incremental costs associated with *Customer Select*, the Company has carefully reviewed Mr. Mierzwa's data and the methodology underlying his calculation of gas storage inventory carrying cost savings of $1.74 per account per month. As a result of this review, Nicor Gas believes that eight adjustments should be made to Mr. Mierzwa's calculations to make them more reasonable.

Q. Please describe your understanding of Mr. Mierzwa's calculation of gas storage inventory carrying costs.

A. Mr. Mierzwa uses the peak day use, or Maximum Daily Contract Quantity ("MDCQ") of a residential space heating customer, and multiplies it by the number of MDCQ days of storage allocated to the customer under *Customer Select*. He adjusts this capacity by the average storage inventory level for the entire Company, and then multiplies that figure by an arbitrary value of gas. He then calculates a carrying cost by multiplying the value of storage by a revenue gross-up number of 16 percent, a figure taken from the Company's 1996 general rate case. The resulting revenue number is divided by 12 to calculate a monthly savings amount.

The following is an itemized summary of Mr. Mierzwa's calculation:

Residential Space Heating Customer's MDCQ	17 therms
Allocated Storage Capacity	32 MDCQ days
Storage Capacity Allocated to Customer	544 therms
Average Company Storage Inventory Level	60 percent
Storage Inventory Level Avoided by Company	326 therms
Value of Avoided Storage @$0.40/therm	$130.40
Revenue Gross-up at 16 percent	$20.86
Monthly Carrying Cost Savings	$1.74

Mr. Mierzwa argues that, to the extent that Suppliers place gas into and cycle gas in storage, Nicor Gas saves interest expense on the current value of the gas it does not have to put into and keep in storage for *Customer Select* customers.

Q. What is the first adjustment that you believe should be made to Mr. Mierzwa's calculations?

A. As I have noted, Mr. Mierzwa's calculation uses 17 therms as the peak day use of a residential space heating customer. Although this number was provided by Nicor Gas in a data response, it is outdated and was based on a Forecasting Department estimate for one month in 1999. In preparing for rehearing, the Company generated a computer report of all base use and heat use factors in effect as of June 30, 2001 for all customers. This up-to-date information of all residential customers resulted in an estimated peak day MDCQ of 13.6 therms.

Q. Should Mr. Mierzwa's 17 therm figure be replaced with the updated figure of 13.6 therms?

A. No. 13.6 therms is the average for residential customers only, while *Customer Select* is open to all of the Company's customers. Therefore, a far more representative MDCQ figure must include commercial and industrial customers that would be most likely to be served under *Customer Select*. As a result, the figure which I will describe includes all commercial and industrial customers that use 10,000 therms or less annually. I have used a 10,000 therm cutoff because customers using in excess of 10,000 therms annually would be more economically served under the Company's non-*Customer Select* transportation rates.

Q. What is the result of including these commercial and industrial customers in the MDCQ calculation?

A. Out of the approximately 1,975,000 customers not being served under traditional transportation rates, 1,960,000 customers, or over 99 percent, would most economically be served under *Customer Select*, if they elect to use the service. The overall average MDCQ of these customers is 14.6 therms. This adjustment should be used to reduce Mr. Mierzwa's 17 therms of peak day use to 14.6 therms.

Q. Have you prepared an exhibit supporting this proposed adjustment?

A. Yes. Exhibit AEH-1 shows how the 14.6 therm figure was calculated.

Q. What is the second adjustment that you believe should be made to Mr. Mierzwa's calculations?

A. Mr. Mierzwa uses the total storage capacity nominally allocated to *Customer Select* customers of 32 MDCQ days without regard to how that capacity is actually used. In fact, 26 MDCQ days are allocated to be used in the same manner as the Company uses in cycling storage to serve its sales customers. That is, Nicor Gas attempts to fully cycle its storage fields. As an operational matter, out of a total on-system capacity of 142.5 Bcf, the Company plans to cycle about 126 Bcf annually. Thus, about 16.5 Bcf of gas is left in storage year-round. Additionally, the Company allocates 6 MDCQ days to balance a *Customer Select* Group's usage, storage activity and nominations at the end of the month. Over and under deliveries are permitted to be injected or withdrawn from the 6 MDCQ days. For this flexibility to work operationally, while minimizing cross-subsidies among customer groups, Suppliers must fill 3 of the 6 MDCQ days on a year-round basis. In this manner, under-deliveries of 3 MDCQ days or less can be accounted for as withdrawn from storage, while over-deliveries of 3 MDCQ days or less can be accounted for as injections. These imbalances from the mid-point will be injected or withdrawn by Suppliers in a subsequent month. The result is that, on average, Suppliers will have 3 MDCQ days in their balancing storage account year-round. It also means that, since the Company fills storage to its capacity, Nicor Gas will be responsible for filling and cycling the 3 MDCQ days that Suppliers leave unfilled.

Therefore, based on these allocations, which reflect operational reality, the Company would realize, at most, a net benefit from Suppliers filling 3 MDCQ days of storage year-round, and annually cycling 23 MDCQ days (26 MDCQ days of cycling less the 3 MDCQ days of which the Company must fill out of the total 6 MDCQ days of balancing storage).

Q. What is the third adjustment that you believe should be made to Mr. Mierzwa's calculations?

A. Mr. Mierzwa's calculations assume that all customers are at their peak use level at the same time. This assumption ignores the fact that there is a diversity of use among customers. In other words, if the MDCQ of each customer is summed, it totals much more than the Company's actual peak day use. This diversity is why the Company's tariff provides that Nicor Gas will allocate storage capacity based on a Group's MDCQ, and not the sum of the individual customers' MDCQs. In addition, this adjustment recognizes that the Company's use of customer specific base use and heat use factors, developed from bimonthly meter readings, may not exactly replicate peak day use. However, as experience has shown, using customer specific factors does provide a reasonable representation of peak day use. Based on the Company's analysis, total use for all customers on a peak day is seven percent lower than the sum of individual customers' MDCQs. Therefore, the gas storage capacity for a single customer should be reduced by seven percent in order to reflect diversity in peak day use.

Q. Have you prepared an exhibit supporting the seven percent diversification factor?

A. Yes. Exhibit AEH-2 shows that the sum of individual customer MDCQs is approximately seven percent lower than the Company's peak day sendout.

Q. What is the fourth adjustment the Company proposes to make to Mr. Mierzwa's calculation to make it more reasonable?

A. Mr. Mierzwa used 60 percent as the Company's average storage inventory level on an annual basis. This figure cannot properly be used to calculate potential gas storage carrying cost savings because it includes storage by third parties and non-*Customer Select* transporation customers. A more meaningful average storage inventory level is the amount held in storage for sales and *Customer Select* customers in relation to the capacity cycled for those customers. As I indicated earlier, the 26 MDCQ days of storage is related to the 126 Bcf the Company plans to cycle annually. Of the 126 Bcf, 35.3 Bcf is assigned to non-*Customer Select* transportation customers. This means that 90.7 Bcf is cycled in providing service to sales and *Customer Select* customers. Dividing this figure by the 13-month average inventory balance attributable to serving sales and *Customer Select* customers shows that the Company's storage capacity used to serve them is, on average, 50 percent full. This 50 percent figure should be applied to the net 23 MDCQ days to reflect the average storage inventory level Suppliers could displace. The 3 MDCQ day figure should not be adjusted, since this amount of gas is in storage, on average, year-round.

Q. Have you prepared an exhibit supporting the proposed adjustment?

A. Yes. Exhibit AEH-3 shows how the 50 percent figure was arrived at.

Q. What is the fifth adjustment the Company proposes to make to Mr. Mierzwa's calculations?

A. Mr. Mierzwa's calculation does not take into account the fact that the Company must hold gas in storage for customers that switch between the Company and Suppliers and between Suppliers. The Company has concluded that it will, on average, need to hold gas in storage for 75 days during the year for each customer, as shown on page 1 of Exhibit AEH-4. This proposed adjustment recognizes the timing of when customers switch and when the Supplier would have provided the appropriate storage inventory, given the nomination and billing processes specified under *Customer Select*. As shown on page 2 of Exhibit AEH-4, this means that the Company must carry storage inventory for about 20 percent of the year for each customer that switches. Weighting 20 percent by the estimated number of switches to total participants provides the overall adjustment that should be made to the average storage inventory level of 5 percent.

Q. What is the sixth adjustment the Company proposes to make to Mr. Mierzwa's calculations?

A. The sixth adjustment is to use the current forecast of gas costs, \$0.29 per therm, instead of Mr. Mierzwa's arbitrary \$0.40 per therm. I have calculated this cost by using the injection schedule as shown in the Company's Rider 4, Gas Cost Performance Program. This monthly level of injections was established in Docket No. 99-0127 as the average of injections over a five year period. It is currently used in establishing the Company's cost of gas benchmark. As such, it is appropriate for use in these calculations. I multiplied the injection levels by the futures price of gas as shown by the New York Mercantile Exchange ("NYMEX") at the close of trading on September 10, 2001.

Q. Have you prepared an exhibit supporting this proposed adjustment?

A. Yes. Calculation of the adjustment is shown on Exhibit AEH-5.

Q. What does the Company propose as its seventh adjustment to Mr. Mierzwa's calculations?

A. The Company's seventh adjustment reflects the objective fact that Nicor Gas has already experienced a reduction in its recoverable gas storage inventory carrying costs as a result of its last rate case. In that proceeding, the Commission accepted Staff's recommendation to reduce gas storage inventory costs by $11.7 million to reflect the amount of accounts payable related to the purchase of gas by the Company. Specifically, the Commission found that, "The Commission has consistently held that a utility does not have an investment in inventory that it has not paid for." (Order, Docket No. 95-0219 slip op. at 11), and reduced the value of gas held in storage by $11.7 million in order to reflect the cost of capital savings related to delays in funding the investment. That is exactly the issue in this case: the level of interest savings resulting from the Company not having to fund certain gas in storage. Since the Company's rates have already been reduced by the amount of interest related to this level of gas storage investment, a further reduction in this proceeding, which eliminates all carrying costs on the avoided inventory, would be duplicative.

In order to avoid double counting, an adjustment should be made to reflect this prior reduction of cost recovery. As shown on Exhibit AEH-6, the value of the

Commission's earlier accounts payable adjustment for an average eligible customer is $5.02 per customer per year, or $0.42 per month.

Q. What does the Company propose as its final adjustment to Mr. Mierzwa's calculations?

A. The Company's final proposed adjustment relates to the revenue adjustment calculated by Mr. Mierzwa. Mr. Mierzwa's calculation multiplied the value of his proposed inventory reduction by 16 percent. This sort of revenue "gross-up" is not appropriate in this case. Mr. Mierzwa used 16 percent, as it was the number used in calculating the revenue needed from the last rate case to support allowed earnings. In other words, if the Company's allowed rate of return on a dollar of rate base is 10 percent, it would need revenue of $0.16 to support income of $0.10. However, this is not a reasonable number for use in reflecting the impact of carrying cost savings since any savings in interest expense offsets a like amount of increased expense on a dollar-for-dollar basis. An appropriate number to mechanically accomplished this concept is the actual interest expense that the Company would purportedly avoid.

To further explain the need for the adjustment, I have prepared Exhibit AEH-7, based on the Company's overall cost of capital from its last general rate case, to show that incremental expenses should be offset by exactly the experienced interest expense reduction, not by an inflated gross-up factor.

Q. What interest rate could most appropriately be applied to avoided inventory value to offset increased program expenses?

A. I believe the most reasonable rate would be a combination of the Company's overall allowed cost of capital in its last rate case of 9.67 percent, and its short-term borrowing cost of 3.52 percent. The 9.67 percent should be applied to the value of the 3 MDCQ days of storage that will be held in storage year-round by Suppliers, as this represents a longer term reduction in the Company's inventory needs. The remaining storage inventory value is short-term in nature, because it is fully cycled each year and, the short-term interest rate available to the Company should therefore be applied to that portion of the value.

Q. Have you prepared an exhibit that shows the Company's short-term interest rate?

A. Yes. Exhibit AEH-8 shows the forecasted short-term interest rate of 3.52 percent.

Q. In total, what effect would the Company's proposed adjustments have on Mr. Mierzwa's estimated gas storage inventory carrying cost savings?

A. The impact of all eight adjustments would reduce Mr. Mierzwa's estimated figure of $1.74 per account per month to about $0.20 per account per month. The calculation of this amount is shown in Exhibit AEH-9.

Q. Does the Company believe that $0.20 is the appropriate amount that should be used as an offset to the Company's *Customer Select* incremental costs?

A. The $0.20 calculation is accurate, and is far more reasonable than Mr. Mierzwa's $1.74 figure. However, as I testified earlier, it is not at all certain that there will be any carrying cost savings. Rather, the $0.20 figure should be viewed as the maximum savings that could occur, as it does not reflect items that cannot be quantified without actual experience. For example, the new *Customer Select* tariffs permit Suppliers to vary their deliveries by plus or minus 10 percent on any day and to be within plus or minus two percent of their required nominations for the month. Customers switching in the winter heating season will have a much greater impact on the Company, because gas costs are traditionally higher then they are during the summer. In addition, customers may switch more frequently than forecasted. Any of these developments would reduce the impact of any avoided storage inventory carrying cost savings. I would also note that Suppliers can be expected to sign-up customers and manage their deliveries within tariff tolerances to their financial advantage. By definition, this will diminish the potential value offset that might theoretically be realized by the Company. In view of these uncertainties, all of which would reduce any potential inventory related savings, the Company believes that using a gas storage inventory carrying cost offset of approximately one-half the maximum calculated amount, or \$0.10 per month, would be the most reasonable estimate of potential gas storage inventory carrying cost savings.

Q. How does the Company suggest that the Commission reflect this savings figure in the Company's proposed charges?

A. The Company suggests that the Commission start with Nicor Gas' estimated breakeven Account Charge of \$1.03, which is explained in my direct testimony, and subtract \$0.10 from this amount. This would result in a charge of \$0.93 per account per month, which I believe would fully reflect any potential gas storage inventory carrying cost savings. The proposed \$200 Group Charge and \$10 Group Additions Charge should not be changed, since reducing the Account Charge as I have described would fully reflect all potential savings.

III. Optional Billing Services for Suppliers

Q. How many Suppliers are using the Company's optional billing service?

A. Currently, seven of the nine active Suppliers are using the billing service.

Q. Does the Company consider this service to be a non-utility service?

A. Yes. The Supplier is not required to use the service to participate in *Customer Select*. The Company separately contracts with each Supplier that wants the service. Additionally, since the Order in this case requires the Company to allow any Supplier to include the Company's charges on its bill, and since Suppliers are not public utilities, the Commission appears to have implicitly recognized the service as a non-utility service.

Q. Setting aside Nicor Gas' position on this issue, how does the Company propose to comply with the Commission's Order that it include this service in its tariff?

A. The Company proposes to include in its Terms and Conditions the offering of the billing service as an option to any agent that transports gas for Nicor Gas customers. Exhibit AEH-10 shows the Company's proposed tariff provision, under which Nicor Gas would continue to offer the service at a price of $0.50 per bill issued by the Company for the Supplier.

Q. Please describe in more detail the optional billing service Nicor Gas offers and proposes to offer to Suppliers participating in *Customer Select*.

A. I have included a copy of the Company's standard billing service agreement as Exhibit AEH-11. In brief, the agreement states that the Company will provide consumption data to the Supplier as soon as it becomes available. The Supplier then calculates its charges and provides this information to the Company. Next, the Company includes a message on its bill showing past payments made to the Supplier and the current charges. A Supplier's current charges are included on the Company's bill and are added to the Company's charges so only one amount is paid by the customer. The Company processes the bill payments, first crediting the amount owed the Company and then sending to the Supplier the amount owed to the Supplier. Any remaining funds are retained by the Company as a credit to the customer's account. These activities are done on a daily basis by the Company and Supplier.

Q. Does the Company propose to use this same contract in the future?

A. Yes.

Q. The contract provides for a $0.50 per bill issued charge for the service. Is this charge supported by the cost of offering the service?

A. Yes. Exhibit AEH-12 shows the various cost items the Company incurs in offering the service, as well as the estimated cost for each item and the estimated number of bills that are expected to be issued to obtain the cost per each bill. As Exhibit AEH-12 shows, given the total cost and number of bills, the actual cost per bill is slightly more than $0.50, but the Company proposes to keep the charge at the $0.50 level.

IV. Program Implementation Timetable

Q. When does the Company propose to implement the Commission approved changes to *Customer Select*?

A. The Company proposes to make *Customer Select* available to all customers as of March 1, 2002.

Q. When will the Company be prepared to send its charges to agents for inclusion in their bills?

A. The Company is striving to meet a March 1, 2002 starting date, and it believes that it can be ready to send and accept electronic files related to the utility billing information by then. However, on the utility end of the business, implementing this service by March 1, 2002 could require substantial manual intervention by employees. The Company believes that it can have all of the internal administration and procedures automated by September 1, 2002. In an effort to assure the Commission that the Company is proceeding to implement this service as promptly as possible, however, Nicor Gas is willing to commit that it will be ready to provide customers' bills to Suppliers in some form by March 1, 2002 and to have a streamlined process in place by September 1, 2002.

Q. Does this conclude your direct testimony on rehearing?

A. Yes.

Nicor Gas

Exhibit AEH-1
(On Rehearing)

Estimate of Peak Day Usage

	Customers	Peak Day Estimate (Therms)	Peak Day Per Customer (Therms)
Residential			
Non-Space Heat	43,912	22,106	0.5
Space Heat	1,765,613	24,591,251	13.9
Total	1,809,525	24,613,357	13.6
Commercial and Industrial 1/	149,992	4,026,856	26.8
Total	**1,959,517**	**28,640,213**	**14.6**

1/ Customers using 10,000 therms per year or less.

Nicor Gas

Exhibit AEH-2
(On Rehearing)

Base Use and Heat Use by Rate for All Customers, as of June 30, 2001

Rate	Customers	Base Use (Ccf)	Heat Use (Ccf)	Peak Day Estimate Base (Ccf)	Peak Day Estimate Heat (Ccf)	Peak Day Estimate Total (Ccf)	Total 1/ (therms)
Residential							
1	35,047	233,946	67	7,798	5,306	13,104	13,340
2	8,865	206,353	22	6,878	1,732	8,611	8,766
3	1,764,245	46,570,537	285,783	1,552,351	22,576,853	24,129,204	24,563,530
13	1,368	63,753	318	2,125	25,105	27,231	27,721
Total	1,809,525	47,074,589	286,190	1,569,153	22,608,997	24,178,150	24,613,356
Commercial							
4	9,943	3,965,251	6,775	132,175	535,225	667,400	679,413
14	159,160	26,336,613	130,817	877,887	10,334,543	11,212,430	11,414,254
15	147	20,076	114	669	9,006	9,675	9,849
16	6	300	3	10	199	209	213
10	8	13,210	4	440	280	720	733
11	60	6,070	7	202	529	732	745
Total	169,324	30,341,520	137,719	1,011,384	10,879,782	11,891,166	12,105,207
Customers with Maximum Daily Contract Quantity determined by daily metering.							MDCQ
6	1						8,685
17	15						4,674,000
19	2						1,160,000
29	4						-
31	1						144,000
74	706						851,005
76	72						859,108
77	37						2,456,988
81	32						165,293
94	10,204						5,743,662
95	8						4,107
96	139						1,324,365
Total	11,221						17,391,213
Grand Total	1,990,070	77,416,109	423,909	2,580,537	33,488,779	36,069,316	54,109,776
Estimated Peak Day Sendout							50,200,000
Diversity Adjustment							0.93

1/ Btu adjustment of 1.018 per Ccf.

Totals may not foot due to rounding.

Nicor Gas

Exhibit AEH-3
(On Rehearing)

Top Storage Inventory Level
for Sales and *Customer Select*

Month	Percent Full	13-Month Average
January 2000	46.2 %	
February	32.4	
March	16.8	
April	5.4	
May	12.5	
June	31.2	
July	51.8	
August	65.5	
September	80.7	
October	89.8	
November	73.8	
December	59.5	
January 2001	41.4	46.7 %
February	30.8	45.5
March	24.6	44.9
April	23.5	45.4
May	34.1	47.6
June	41.5	49.9

Timing of Switches

Sales to Customer Select:

June 1	Customer A deliveries begin.
June 30	Customer B deliveries begin.
July 6	Billing issued to Supplier for June that includes what storage should be for Customers A and B in month-end imbalance.
August 1	Supplier begins making up imbalance from bill issued July 6.
August 31	Storage is at required level for Customers A and B.

Number of days to adjust storage

Minimum:	60 days
Maximum:	90 days
Average:	75 days

Switching between Suppliers:

Customer switching from Supplier A to Supplier B: No impact on storage.

Customer leaving Supplier A, waiting 45 days and then selecting Supplier B.

May 1	Leaves Supplier A. Customer's meter is read.
June 14	Selects Supplier B.
July 1	Customer's meter is read and supplier B begins deliveries.
August 6	Billing issued to Supplier B for July that includes what storage should be for customer in month-end imbalance.
September 1	Supplier B begins making up imbalance from bill issued August 6.
September 30	Storage is at required level for Customer.

Number of days to adjust storage

Minimum:	0 days
Maximum:	150 days
Average:	75 days

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Exhibit AEH-4

(On Rehearing)

Adjustment for Customer Switching

Estimated Number of Customers Switching

	Sales to *Customer Select 1/*	Between Suppliers
Year 1	197,500	6,100
Year 2	102,000	16,000
Year 3	102,000	21,100
Year 4	-	26,200
Year 5	-	26,200
Total	401,500	95,600
Average per Year	80,300	19,120
Average Total Customers 2/		419,600

Adjustment for Customers Switching

(75/365) X (99,420/419,600)	0.05

1/ See Exhibit AEH-8 Direct Testimony of Albert Harms
2/ See Exhibit AEH-7 Direct Testimony of Albert Harms

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Exhibit AEH-5
(On Rehearing)

Value of Gas Injected into Top Storage

	NYMEX Price 1/ ($/MMBtu)	Percentage 2/	Weighted Average Price ($/MMBtu)
October, 2001	$ 2.392	14.97 %	$ 0.358
November	2.674	6.71	0.179
December	2.994	2.16	0.065
January, 2002	3.149	0.53	0.017
February	3.121	0.89	0.028
March	3.052	1.51	0.046
April	2.959	2.16	0.064
May	2.979	14.05	0.419
June	3.012	13.62	0.410
July	3.052	13.59	0.415
August	3.089	15.27	0.472
September	3.087	14.54	0.449
Total Weighted Price			$ 2.922

1/ Closing price as listed in the *Wall Street Journal* issued on September 11, 2001.

2/ Storage injection percent as included in the Company's Rider 4, Gas Cost Performance Program.

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Exhibit AEH-6
(On Rehearing)

Accounts Payable Adjustment

Item	Value
Accounts Payable Adjustment: 1/	$ 11,666,000
Sales Volume (therms) in Rate Case: 2/	3,260,000,000
Value of Storage Adjustment per Therm of Throughput:	$ 0.0036
Average Annual Throughput (therms) for Eligible Customers 3/	
Residential Customers	
Annual Base Use	575,063,179
Annual Heat Use 4/	1,781,844,125
Commercial and Industrial Customers 5/	
Annual Base Use	79,167,095
Annual Heat Use 4/	294,724,328
Total Annual Throughput:	2,730,798,727
Total Customers:	1,959,517
Average Annual Throughput per Customer:	1,394
Accounts Payable Adjustment Value per Customer:	$ 5.02

1/ Rate Case Order in Docket No. 95-0219, Schedule 2.
2/ See CUB Cross Exhibit 1.
3/ Ccf converted at 1.018 therms per Ccf.
4/ Normal Annual Degree Days of 6,116.
5/ Commercial and Industrial customers using 10,000 therms or less annually.

Expense Offset
Interest Rate Versus Gross-up

Assumptions: 9.67% overall cost of money
$10.00 value of top storage
Tax Rate 40%

Baseline:

Revenue	$100.00
Less: Expenses	60.00
Interest	10.00
Taxes	12.00
Income	$ 18.00

Mierzwa Method: Advocates that a reduction in interest of $0.97 [0.0967 x $10.00] offsets expenses of $1.60 [16% x $10.00]. Income is reduced from $18.00 to $17.62.

	Baseline	Mierzwa Adjustment	Result
Revenue	$100.00	$ ----	$100.00
Less: Expenses	60.00	1.60	61.60
Interest	10.00	<0.97>	9.03
Taxes	12.00	<0.25>	11.75
Income	$ 18.00	$<0.38>	$ 17.62

Correct Method: Reduction in interest ($0.97) offsets the same amount of increase in expenses. Income is the same as the baseline.

	Baseline	Correct Adjustment	Result
Revenue	$100.00	$ -----	$100.00
Less: Expenses	60.00	0.97	60.97
Interest	10.00	<0.97>	9.03
Taxes	12.00	-----	12.00
Income	$ 18.00	$ -----	$ 18.00

Nicor Gas

Exhibit AEH-8
(On Rehearing)

Estimated Future Borrowing Costs

Month		Actual Short-term Rates: Short-term Debt Rate	Actual Short-term Rates: 30-day Fed Funds Rate 1/	Forecasted 30-day Fed Funds Rate 2/
May	2001	4.34 %	4.63 %	
June		3.95	3.63	
July		3.75	3.00	
August		3.70	3.50	
Average Rate		3.94	3.69	
Adjustment		0.25		
September				3.61 %
October				3.31
November				3.21
December				3.17
January	2002			3.16
February				3.15
Average Rate				3.27
Adjustment				0.25
Adjusted Rate				3.52 %

1/ Based on the 1st of the month close as listed in the *Wall Street Journal*.

2/ Based on the 30 day Federal Funds futures rate as listed in the *Wall Street Journal* dated September 11, 2001.

Calcuation of Interest Savings
from Gas Storage Inventory Reduction

Adjustment	Discription	Estimated Values: Annual	Seasonal	Units
1	Average MDCQ for eligible Customers:	14.6		Therms
2	Storage Inventory Provided by Suppliers:			
	Year-round - 3 MDCQ	44		Therms
	Cycled - 23 MDCQ		336	Therms
3	13-Month Storage Level Adjustment:			
	50 percent	44	168	Therms
4	Diversity Adjustment - 7 percent	41	156	Therms
5	Switching Adjustment - 5 percent	39	148	Therms
6	Storage Inventory Value - $0.29	$ 11.31	$ 42.92	Dollars
7	Accounts Payable Adjustment - ($5.02)		$ 37.90	Dollars
8	Interest Rate	9.67	3.52	Percent
Annual Carrying Cost Savings		$1.09	$ 1.33	Dollars
Total Monthly Carrying Cost Savings	($1.09 + $1.33) / 12	$0.20		

Proposed Tariff Language for Billing Services

Third Party Billing Service

Any third party desiring to have the Company to include its charges to the customer on the Company's bill shall enter into the Company's standard contract that stipulates the proceedures to be followed. The Company will provide up to six (6) standard lines of text that may be used by the third party. The Company will process customer payments in a timely manner and will electronically forward payments to the third party's bank account and notify the third party of the customer's payment on a daily basis. The fee for billing and payment processing will be $0.50 per bill. If the third party would like additional services with respect to billing, the Company and third party will negotiate in good faith the fees for such additional services. The Company will report these additional services and fees to the Illinois Commerce Commission as assurance that any such additional services and fees are being offered on a non-discrimatory basis.

Northern Illinois Gas Company
D/B/A Nicor Gas Company
Customer Select Program
Billing Services Agreement

In connection with its small customer transportation program ("Customer Select") under Riders 15 and 16, Northern Illinois Gas Company, d/b/a Nicor Gas Company ("Nicor Gas" or "Company") agrees to include the Supplier's ("Supplier") charges to the Nicor Gas customer ("Customer") on the Company's bill, process payments and remit the proceeds ("Billing Services") to the Supplier under the following terms and conditions:

1. **Scope of Agreement.**
   Nicor Gas agrees to provide the Billing Services to Supplier and Supplier agrees to pay the fees set forth in Schedule A, attached hereto.

2. **Term of Agreement.**
   This Agreement ("Master Agreement") shall be effective as of May 1, 2001 ("Effective Date") and shall remain in force for a period of one (1) year ("Initial Term"). The Master Agreement shall automatically renew and extend for successive one (1) year terms, commencing at the conclusion of the Initial Term or any renewal term, unless contrary notice is given by Supplier or Nicor Gas at least ninety (90) days prior to the end of the then current term. Upon termination, obligations of a continuing nature shall continue to be binding and in full force and effect including, without limitation, those reflected in: paragraph 7, "File Security, Retention and Transfer at Time of Termination; paragraph 9, "Warranty and Limitation of Liability"; paragraph 10, "Indemnification"; and paragraph 11, "Default; Termination Upon Default".

3. **Charges.**
   3.1 Except as provided in Schedule A, attached hereto, fees for the Billing Services shall not be changed by Nicor Gas during the Initial Term. Thereafter, however, such fees may be changed effective at any renewal date with at least one hundred-twenty (120) days prior written notice to Supplier. If such notice is given, Supplier may, by giving written notice to Nicor Gas at least forty-five (45) days prior to the effective date of any such changes, reject the Billing Services, whereupon the obligations of both parties with respect to all Billing Services shall terminate.
   3.2 There shall be added to all invoices for Billing Services an amount equal to any applicable sales or other taxes levied, based on, arising from or in any way connected with the furnishing of Billing Services to Supplier. All invoices for the Billing Services rendered hereunder shall be due and payable fourteen (14) days after receipt of the invoice. If Supplier fails to pay any such amounts when due, Nicor Gas may, at its option, and after giving at least ten (10) days prior written notice, discontinue furnishing Billing Services unless and until all such past due amounts are paid in full, all without impairment of any other remedy which may be available to Nicor Gas.
   3.3 Supplier recognizes that Nicor Gas' level of personnel staffing, computer equipment selections, hardware resource allocations, hardware and software lease term selections, equipment and software purchases, and general resource planning so as to fulfill its contractual

obligations hereunder are based on the assumption that this Master Agreement will remain in effect for its full Initial Term and any renewal term and that any prior termination of this Master Agreement will result in substantial damages to Nicor Gas. At the same time, however, Nicor Gas recognizes that it is in the interests of Supplier to have the right to terminate this Master Agreement, other than as provided in paragraphs 2 and 11 herein, should it so desire. Supplier, therefore, is granted the right, at its option, to terminate this Master Agreement for its convenience and without cause at any time after the Initial Term by giving ninety (90) days prior written notice of termination, and by paying to Nicor Gas an amount in cash which shall be the product resulting from multiplying the number of months remaining in the Master Agreement's current term on the date of termination by the highest billed service fee amount during the last six-month period (or since the effective date in the event six months have not accrued), it being agreed that such sum constitutes reasonable liquidated damages to be sustained by Nicor Gas by reason of such early termination.

4. **Reliance on Information Provided.**
Nicor Gas shall rely on the accuracy of all information provided to Nicor Gas by Supplier. Supplier shall promptly inform Nicor Gas of any incorrect data or information. Supplier shall bear the cost of correction and pay any damages arising therefrom if the correction of such data results in costs to Nicor Gas which exceed those incurred in the process of routinely receiving and preparing correct data for normal usage.

5. **Uses of the Billing Services.**
Supplier shall use the Billing Services in compliance with the Customer Select program and with Nicor Gas' tariff requirements, including applicable Terms and Conditions, as modified from time-to-time.

6. **Modifications in the Services.**
Upon giving reasonable advance notice to Supplier, Nicor Gas, at its expense, may make any modifications, changes, adjustments or enhancements to the Billing Services which it considers to be suitable or which are required by law or governmental regulation.

7. **File Security, Retention and Transfer at Time of Termination.**
7.1 Nicor Gas shall take all reasonable steps to ensure that access to Supplier's computerized files and records are available only to Nicor Gas and Nicor Gas' agents or contractors. Nicor Gas reserves the right, at its expense, to issue and change procedures from time-to-time to improve or protect file security.
7.2 Nicor Gas shall take all reasonable precautions to prevent the loss or alteration of Supplier's computerized files and records accessed or retained by Nicor Gas, but Nicor Gas cannot and does not guarantee or indemnify against any such loss or alteration. Accordingly, Supplier shall, at its expense, keep copies of the source documents of the information delivered to Nicor Gas and shall maintain a backup procedure for reconstruction of lost or altered Supplier's computerized files and records to the extent deemed necessary by Supplier. Nicor Gas shall promptly inform Supplier of any such lost or altered data or information and upon notice from Nicor Gas, Supplier shall retransmit all such data or information. Nicor Gas shall retain Supplier's computerized files and records in accordance with Schedule A, attached hereto, and made a part hereof.

8. Government Regulation.

8.1 Each party shall: a) to the extent relevant, be responsible for compliance with all applicable laws, rules, and regulations including, without limitation, the rules of any applicable national or regional Automated Clearinghouse Association ("ACH"); and, b) establish, maintain, and be responsible for error resolution procedures. The parties will cooperate with one another in the investigation and resolution of any alleged errors.

8.2 Supplier shall provide all required notices and disclosures to the appropriate regulatory authorities and to affected Customers concerning the initiation or termination of this Master Agreement or of Billing Services, or of any substantial changes in the Billing Services being provided to the Supplier.

8.3 Should a governmental agency which has regulatory authority over Supplier wish to review the Billing Services, Supplier agrees to pay Nicor Gas for all costs incurred in the preparation of data for inspection, examination or audit for such services.

9. Warranty and Limitation of Liability.

9.1 Nicor Gas warrants that it will exercise reasonable care in the performance of its obligations under this Master Agreement. NICOR GAS MAKES NO OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING WITHOUT LIMITATION, ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO THE SERVICES PROVIDED HEREUNDER. Because of the extreme difficulty of fixing actual damages for any failure of Nicor Gas to perform its obligations hereunder, or from any failure of Nicor Gas to perform any obligations imposed by law, the parties agree that Nicor Gas' liability hereunder for any loss, shall be limited to liquidated damages in the amount of the Billing Services' fees paid by Supplier to Nicor Gas for the two (2) calendar months immediately preceding the month in which the event occurred which gave rise to the damages. The provisions of this paragraph apply even though the loss or damage, irrespective of cause or origin, results, directly or indirectly, either from performance or nonperformance of obligations imposed by this Master Agreement.

9.2 IN NO EVENT WILL NICOR GAS BE RESPONSIBLE FOR (A) ANY INCIDENTAL, INDIRECT, CONSEQUENTIAL, SPECIAL, PUNITIVE, OR EXEMPLARY DAMAGES OF ANY KIND, INCLUDING LOST REVENUES OR PROFITS, LOSS OF BUSINESS OR LOSS OF DATA REGARDLESS OF WHETHER IT WAS ADVISED, HAD REASON TO KNOW, OR IN FACT KNEW OF THE POSSIBILITY THEREOF; OR (B) FOR ANY LOSS OR DAMAGE TO THE OTHER PARTY OR TO A CUSTOMER, DIRECT OR CONSEQUENTIAL, ARISING OUT OF OR IN ANY WAY RELATED TO ACTS OR OMISSIONS OF THIRD PARTIES INCLUDING, BUT NOT LIMITED TO, VARIOUS COURIER SERVICES, THE FEDERAL RESERVE BANK, OTHER BANKS WITH WHICH THE OTHER PARTY DEALS OR THE EMPLOYEES OR AGENTS OF SUCH BANK OR ANY FINANCIAL INSTITUTION WHICH RECEIVES OR ORIGINATES ENTRIES OR PAYS ELECTRONIC DEBITS FROM THE SUPPLIER ACCOUNTS.

9.3 Neither party shall be liable for any delay or other failure of performance caused by factors beyond its reasonable control, such as, but not limited to, strikes, insurrection, war, fire, acts of God, governmental acts or regulation, or acts of third parties. If, after the date of this Master Agreement, any law, regulation, or ordinance, whether federal, state, or local, becomes effective which substantially and materially alters the ability of either party to perform Billing Services hereunder, the affected party, after making a bona fide effort to overcome the impairment, shall have the right to terminate this Master Agreement, without penalty, upon thirty (30) days written notice to the other party.

10. Indemnification.

Supplier agrees to indemnify Nicor Gas, its officers, directors, and employees from and against any and all loss, liability, cost and expense, including reasonable attorneys' fees, incurred by any one or more of them by reason of any and all claims, demands, suits or proceedings, made or brought against any one or more of them arising from or related to any act or omission of Supplier or the breach of any obligation, responsibility, warranty, or representation of the Supplier to Nicor Gas related to the operation, promotion, or use of the Billing Services pursuant to this Master Agreement.

11. Default; Termination Upon Default.

11.1 In the event of a material default of this Master Agreement, the non-defaulting party shall have an immediate right to terminate this Master Agreement in the event a default remains uncured for thirty (30) days after notice thereof to the defaulting party.

11.2 All expenses incurred by the non-defaulting party in terminating the relationship under this Master Agreement shall be borne by the defaulting party.

12. General.

12.1 Supplier acknowledges that it has not been induced to enter into this Master Agreement by any representation or warranty not set forth in this Master Agreement. This Master Agreement contains the entire agreement of the parties with respect to its subject matter and supersedes all existing agreements and all other oral, written or other communications between them concerning its subject matter. This Master Agreement shall not be modified in any way unless such modification is in writing and signed by both parties.

12.2 This Master Agreement may not be assigned by Supplier, in whole or in part, without the prior written consent of Nicor Gas, which consent shall not be unreasonably withheld or delayed. Supplier agrees to give Nicor Gas notice of any such intended assignment of its rights and obligations under this Master Agreement.

12.3 This Master Agreement shall be binding upon and shall inure to the benefit of Nicor Gas and Supplier and their respective successors and permitted assigns.

12.4 If any provision of this Master Agreement (or any portion thereof) shall be held to be invalid, illegal or unenforceable, the validity, legality or enforceability of the remainder hereof, shall not in any way be affected or impaired thereby.

12.5 The headings in this Master Agreement are intended for convenience of reference and shall not affect its interpretation.

12.6 The individuals executing this Master Agreement on behalf of Nicor Gas and Supplier do each hereby represent and warrant that they are duly authorized by all necessary action to execute this Master Agreement on behalf of their respective principals.

12.7 This Master Agreement is made in the State of Illinois, and shall be construed and interpreted in accordance with the laws of the State of Illinois without regard to choice of law principles.

12.8 The parties do not intend the benefits of this Master Agreement to inure to any third party, and nothing contained herein shall be construed as creating any right, claim or cause of action in favor of any such third party against either of the parties hereto.

12.9 Nothing in this Master Agreement shall be deemed to limit: (i) the applicability of any relevant statutes of limitation or repose; or (ii) any waivers contained in this Master Agreement.

13. Notices.
Service of all notices under this Master Agreement shall be in writing and sent by either U.S. Certified Mail, return receipt requested, postage paid, addressed to the party to be served notice, or by nationally recognized overnight mail service, at the following addresses. All such notices and communications shall be effective upon receipt.

	<u>Nicor Gas</u>	<u>Supplier</u>
Name:	Nicor Gas c/o Customer Select Program 7W	______________
Address:	P.O. Box 190 Aurora, Illinois 60563-9600	______________ ______________

FOR NICOR GAS:	**FOR THE SUPPLIER:**
Submitted By:	
Name ______________	Supplier ______________
Date Received from Supplier ______________	Accepted By ______________ *Please Print*
Accepted By ______________	Signature ______________
______________ Official Capacity	______________ Official Capacity
Date Accepted ______________	Date Accepted ______________

Supplier Bank Information:

Name: ______________	Contact: ______________
Address: ______________	Account Number: ______________
______________	Routing Number: ______________

Schedule A
Service Addendum for Billing Services

Nicor Gas and Supplier have entered into a Billing Services Agreement dated__________________ (the "Master Agreement"). This Addendum further specifies the Billing Services Supplier has elected to receive. All terms capitalized but not otherwise defined herein shall have the meanings attributed to them in the Master Agreement.

1. **Services.**
Nicor Gas' Billing Services is comprised of Nicor Gas products, services, and support systems which enable Nicor Gas to present bills, on Supplier's behalf, to Supplier's customers who have elected to enroll in the **Customer Select** program. The Billing Services will also enable Nicor Gas to electronically deliver remittance files to Supplier.

2. **Third Party Service Providers.**
Each party shall be liable for the acts or omissions of employees or its third party provider ("Provider") while transmitting, receiving, storing or handling Billing Services' data, or performing related activities, for such party as though they were the party's own acts or omissions, and for purposes of the Master Agreement and this Addendum the Provider shall be deemed to be an agent of that party. Any party utilizing a Provider shall ensure that it is a contractual obligation of the Provider that no change in the data content of the Billing Services' data is made or disclosed to any unauthorized person.

3. **System Operation.**
Each party, at its own expense, shall provide and maintain the requisite equipment, software, services and testing necessary to effectively and reliably transmit and receive Billing Services' data in compliance with the specifications set for in the Appendix 1 hereto. Each party, at its own expense, will be responsible for retaining an emergency backup plan for its equipment, software, and services to effectively and reliably transmit and receive Billing Services' data in the event its equipment, software and/or services fails, is not in service or is otherwise inaccessible.

4. **Security Procedures.**
Nicor Gas reserves the right to make an emergency suspension of transmitted Billing Services' data to protect resources from illegal access or damage. Any action taken by Nicor Gas pursuant to this provision shall not constitute termination of the Master Agreement or this Addendum.

5. **Garbled Transmissions.**
If any transmitted Billing Services' data is received in an unintelligible or garbled form, the receiving party shall promptly notify the originating party, within one business day, (if identifiable from the received transmitted data) in a reasonable manner. The originating party shall be obligated to retransmit the Billing Services' data upon receipt of notice from Nicor Gas. Notwithstanding the above, Nicor Gas will not be liable for the consequence of unintelligible or garbled transmission, if the error is or should be in all circumstances reasonably detectable to the Supplier.

6 Nicor Gas' Obligations.

6.1 ***Customer Enrollment:*** Nicor Gas will maintain the enrollment site, receive and record customer enrollments, create and maintain a database of Customers, and notify Supplier of enrollments via electronic files transmitted to Supplier. Thereafter for so long as this Master Agreement remains in effect, or until it has received instructions to the contrary from a Customer, will bill its Customer for commodity services using Nicor Gas' Billing Services.

6.2 ***Bill Preparation:*** As part of service under Riders 15 and 16, Nicor Gas will provide Suppliers with Customer gas usage ("Consumption") data as such data becomes available through the normal course of providing normal utility meter reading operations. The Supplier will provide electronically to the Company its billing data in conformance with the specifications set forth in Appendix 1 hereto ("Billing Charges") within three (3) business days of receiving the Customer's Consumption data from Nicor Gas. The Supplier's Billing Charges shall consist of a maximum of three (3) charges and descriptions to appear on the Customer's regular utility bill. The descriptions to appear on the bill shall be submitted to the Company by March 15 for the upcoming program year. Changes to such descriptions will be reviewed and approved on a case by case basis. In addition to the Billing Charges, Nicor Gas shall also print the previous balance, payment received, thank you; total due, Supplier's name and phone number on the Company's bill.

6.3 ***Payment Processing:*** The Company agrees to process payments received from Customers as part of the fee assessed for providing Billing Services. Processing customer payments shall mean the collection - via cash, check, money order, electronic funds transfer, or by any other means of legal tender; made by mail, in-person, electronically or through one of the Company's authorized agents; and the deposit of such payment into one of the Company's financial institutions. Any payments received from Customers along with any credit balances appearing on the Customer's Nicor Gas account shall first be applied to Nicor Gas' non-gas commodity charges which the Company will bill the Customer, with the remainder applied to satisfy the Supplier's total amount due. Any amounts in excess of satisfying Nicor Gas' and the Supplier's bills shall be applied to the Customer's Nicor Gas account as a credit for future use.

6.4 ***Remittance Deliveries:*** Nicor Gas will electronically initiate payment to the Supplier as frequently as such payment data becomes available for transfer to the Supplier. Remittance of Customer's payments received by Nicor Gas will be sent via ACH to the financial institution designated by the Supplier upon completion of Nicor Gas' internal processing. In the event a remittance date falls on a bank holiday, Nicor Gas will remit Customer payments, on the next business day which is not a bank holiday.

6.5 ***Records:*** Nicor Gas will maintain records of all Customer's bill presentation and payment activity in compliance with all applicable federal, state and local regulations and provide such information related thereto as the Supplier may reasonably request upon reasonable notice to Nicor Gas during normal business hours.

7. Supplier's Obligations.

7.1 ***Processing:*** Supplier will transmit accurate and timely Customer Billing Charges to Nicor Gas in conformance with the specifications set forth in Appendix 1 hereto of this Service Addendum. Supplier further agrees that upon notification from a financial institution that there are insufficient funds to settle a Customer's payment, Nicor Gas will charge back the credit given to the Customer and to the Supplier. Such charge back to the Supplier will reduce any remittance due to the Supplier from Nicor Gas. Supplier further agrees that should there be a balance outstanding for insufficient funds after such charge back to the weekly remittance, such balance will be immediately due Nicor Gas.

7.2 ***Customer Service:*** Nicor Gas will respond to Customer inquiries regarding the Billing Services provided to the Supplier on a best efforts basis. If Nicor Gas is unable to satisfy a Customer's inquiry related to Billing Services, the Company will provide the Supplier's customer service department's phone number to the Customer for discussion with a Supplier's representative. Supplier will then respond to the specific Billing Service inquiry concerning the content of the Supplier Billing Charge presented.

7.3 ***Charges:*** Supplier agrees to pay Nicor Gas $.50 per bill issued under this Billing Services Agreement. Nicor Gas will show these charges on the Supplier's monthly bill issued in conjunction with service under Riders 15 and 16. Payment will be due at the same time payment is due for providing service under these Riders.

7.4 ***Master Agreement:*** The Master Agreement shall govern all other aspects of the parties' rights, duties, and obligations with respect to the delivery of the Services.

IN WITNESS WHEREOF, the parties have executed this Addendum as of the date first written above.

FOR NICOR GAS:

Submitted By:

Name ______________________

Date Received from Supplier __________

Accepted By ______________________

____
Official Capacity

Date Accepted ______________________

FOR THE SUPPLIER:

Supplier ______________________

Accepted By ______________________
Please Print

Signature ______________________

____
Official Capacity

Date Accepted ______________________

FILE FORMAT

TITLE: SUPPLIER CHARGES FILE

FILE NAME: SUPLBILL

DESCRIPTION: File contents are the Customer charges and descriptions for the Supplier.

LAYOUT: - CHARGE RECORD

SUPPLIER ID	NUMBER 5	
POOL ID	NUMBER 6	
CUSTOMER ID	NUMBER 10	
SUPPLIER CHARGES		
CHARGE-1	NUMBER -9,2	
CHARGE-1 DESCRIPTION	ALPHA 40	
CHARGE-2	NUMBER -9,2	Optional
CHARGE-2 DESCRIPTION	ALPHA 40	Optional
CHARGE-3	NUMBER -9,2	Optional
CHARGE-3 DESCRIPTION	ALPHA 40	Optional
BILL PERIOD BEGIN DATE	NUMBER 8	
BILL PERIOD END DATE	NUMBER 8	
* RECORD TYPE	ALPHA 1	

The "Charge Description" must be the preapproved text by Nicor Gas.

TRAILER:

SUPPLIER ID	NUMBER 5	
POOL ID	NUMBER 6	
CUSTOMER ID	"9999999999"	(indicates trailer)
RECORD COUNT	NUMBER 10	
TRANSACTION TOTAL	NUMBER -12,2	(sum of CHARGE-1)

* Denotes change from prior version.

Layout ID - 15
CUSTPMNT
Page 1 of 1

FILE FORMAT

TITLE: CUSTOMER ACCOUNTS RECEIVABLE (A/R) FILE

FILE NAME: CUSTPMNT

DESCRIPTION: File contents are the cash payments, cash reversals, and miscellaneous accounts receivable transactions processed against the Supplier balance due.

LAYOUT:

SUPPLIER ID	NUMBER 5
POOL ID	NUMBER 6
CUSTOMER ID	NUMBER 10
TRANSACTION AMOUNT	NUMBER -9,2
TRANSACTION DATE	NUMBER 8
BALANCE DUE	NUMBER -9,2
TRANSACTION CODE	ALPHA 1

Supplier may receive multiple records per customer in a single file transmission.

TRAILER:

SUPPLIER ID	NUMBER 5	
POOL ID	NUMBER 6	
CUSTOMER ID	"9999999999"	(indicates trailer)
RECORD COUNT	NUMBER 10	
TRANSACTION TOTAL	NUMBER -12,2	(sum of transaction amount)
WIRE TRANSFER TOTAL	NUMBER -12,2	(sum of "cash" transactions)
NON-CASH TOTAL	NUMBER -12,2	

CUSTPMNT 2.2
December 21, 1998

Nicor Gas

Exhibit AEH-12
(On Rehearing)

Customer Select Bill Study

Assumptions:

Inflation		3%
Allowed Return on Rate Base		9.67%
Combined Statutory Income Tax Rate		39.667%
Estimated Annual Revenue Per Customer	$	200
Incremental Borrowing Rate		4%

IT Capital Expenditures		
1998	$	326,000
1999	$	-
2000	$	-
2001	$	-
2002	$	100.000

Abbreviations:

FDC = fully distributed cost
CS = Customer Select

			2002		2003		2004		2005
A	Forecasted average # customers		197,500		375,250		477,250		524,000
B	Forcasted # bills/year (per exhibit AEH-7)		2,370,000		4,503,000		5,727,000		6,288,000
C	Company bills for 50% of bills		1,185,000		2,251,500		2,863,500		3,144,000
D	FDC per bill								
	(10 bills/year issued, 50.45 cents/bill cost for 2000)		0.535		0.551		0.568		0.585
E	50% of FDC		0.268		0.276		0.284		0.292

Operating Expenses:

			2002		2003		2004		2005
F	Annual programing maintenance costs	$	50,000	$	50,000	$	50,000	$	50,000
G	Personnel to respond to specific supplier questions	$	75,000	$	75,000	$	75,000	$	75,000
H	Lost bill insert revenue of 1.5 cents								
	(CS bills require 2 pages leaving less room for bill inserts)	$	17,775	$	33,773	$	42,953	$	47,160
I	Incremental interest expense								
	(CS bills delayed 3 days as utility awaits bill info from broker)								
	50% A * annual revenue * 3/365 * borrowing rate	$	6,493	$	12,337	$	15,690	$	17,227
J	Incremental call center costs								
	(Supplier charges on the utility bill generate incremental								
	phone calls from customers @ 5% of C*$3.41)	$	202,043	$	383,881	$	488,227	$	536,052
K	Total Operating & Expenses	$	351,311	$	554,991	$	671,870	$	725,439

Capital Costs:

			2002		2003		2004		2005
	Depreciation (5-year life, 1/2 year convention):								
	1998 capital	$	65,200	$	32,600	$	-	$	-
	2001 capital	$	10,000	$	20,000	$	20,000	$	20,000
L	Total	$	75,200	$	52,600	$	20,000	$	20,000
	Net Rate Base - Beginning of Year								
	1998 capital	$	97,800	$	32,600	$	-	$	-
	2001 capital	$	90,000	$	70,000	$	50,000	$	30,000
M	Total	$	187,800	$	102,600	$	50,000	$	30,000
N	Return on rate base (M*allowed return)	$	18,160	$	9,921	$	4,835	$	2,901
O	Income taxes [(N / (1 - combined tax rate)) - N]		11,940		6,523		3,179		1,907
P	Return and taxes	$	30,100	$	16,444	$	8,014	$	4,808

Summary:

			2002		2003		2004		2005
	Operating expenses (K)	$	351,311	$	554,991	$	671,870	$	725,439
	Depreciation (L)	$	75,200	$	52,600	$	20,000	$	20,000
	Return and income taxes (P)	$	30,100	$	16,444	$	8,014	$	4,808
Q	Revenue requirement	$	456,611	$	624,035	$	699,884	$	750,247
	Requirement needed per CS bill (Q/C)	$	0.39	$	0.28	$	0.24	$	0.24
	Allocated FDC (E)	$	0.27	$	0.28	$	0.28	$	0.29
	Total	$	0.65	$	0.55	$	0.53	$	0.53